

City of Rock Valley, Iowa

**Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings And Questioned Costs**

June 30, 2004

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**City of Rock Valley, Iowa
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2004)		
Kent Eknes	Mayor	Jan. 2004
Gerold Burgers	Mayor Pro-Tem	Jan. 2004
Donald Cannegieter	Council Member	Jan. 2004
Herlon Vander Schaaf	Council Member	Jan. 2006
Kevin Van Otterloo	Council Member	Jan. 2006
Chad Van Zee	Council Member	Jan. 2006
(After January, 2004)		
Kent Eknes	Mayor	Jan. 2008
Gerold Burgers	Mayor Pro-Tem	Jan. 2008
Dale Kooima	Council Member	Jan. 2006
Mark Mc Gill	Council Member	Jan. 2008
Kevin Van Otterloo	Council Member	Jan. 2006
Chad Van Zee	Council Member	Jan. 2006
Tom Van Maanen	City Administrator/Treasurer	Indefinite
Judy Van't Hul	City Clerk	Indefinite
Maureen McGill Hoogeveen	City Attorney	Indefinite

City of Rock Valley, Iowa

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Rock Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and the aggregate remaining fund information of the City of Rock Valley as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

As described in Note 14, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated October 8, 2004 on our consideration of the City of Rock Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Rock Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Bruggen & Vande Vegte, P.C.

October 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Rock Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 48%, or approximately \$1,917,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$60,000 and there were no bond proceeds.
- Disbursements decreased 34%, or approximately \$1,223,000, in fiscal 2004 from fiscal 2003. Public safety disbursements increased approximately \$37,000, while debt service and capital projects disbursements decreased approximately \$78,000 and \$992,000, respectively.
- The City's total cash basis net assets decreased 29%, or approximately \$360,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$327,000 and the assets of the business type activities decreased by approximately \$33,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for water, sewer and garbage funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$810 thousand to \$483 thousand. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts		
Charges for service	\$ 85	\$ 27
Operating grants, contributions and restricted interest	421	255
Capital grants, contributions and restricted interest	3	500
General receipts:		
Property tax	1,255	1,195
Local option sales tax	209	191
Grants and contributions not restricted to specific purposes	53	5
Unrestricted investment earnings	2	43
Bond proceeds	-	1,391
Other general receipts	20	262
Transfers, net	50	200
Total receipts and transfers	<u>\$ 2,098</u>	<u>\$ 4,069</u>
Disbursements:		
Public safety	\$ 331	\$ 294
Public works	356	342
Health and social services		
Culture and recreation	345	304
Community and economic development	246	607
General government	340	224
Debt service	331	409
Capital projects	476	1,468
Total disbursements	<u>\$ 2,425</u>	<u>\$ 3,648</u>
Increase (decrease) in cash basis net assets	(327)	421
Cash basis net assets beginning of year	810	389
Cash basis net assets end of year	<u>\$ 483</u>	<u>\$ 810</u>

The City's total receipts for governmental activities decreased 48.4%, or \$1,971,000. The total cost of all programs and services decreased by approximately \$1,223,000, or 33.5%, with no new programs added this year.

The City increased property tax rates for 2004 by an average of 0.4 percent. This slight increase and more importantly the increase in housing, commercial and industrial development raised the City's property tax receipts by approximately \$60,000 in 2004. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$50,000 next year.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2004	2003
Receipts:		
Program receipts		
Charge for service		
Water	\$ 343	\$ 328
Sewer	304	298
Garbage	123	120
Capital grants, contributions and restricted interest		
General Receipts		
Unrestricted interest		1
Bond proceeds		
Other general receipts		
Bond proceeds	3	22
Total receipts	<u>\$ 773</u>	<u>\$ 769</u>
Disbursements and transfers:		
Water	\$ 375	\$ 316
Sewer	254	287
Garbage	127	119
Transfers	50	200
Total disbursements	<u>\$ 806</u>	<u>\$ 922</u>
Increase (decrease) in cash basis	(33)	(153)
Cash basis net assets beginning of year	<u>436</u>	<u>589</u>
Cash basis net assets end of year	<u>\$ 403</u>	<u>\$ 436</u>
	=====	=====

Debt Administration

At June 30, 2004, the City had approximately \$1,725,000 in bonds and other long-term debt, compared to approximately \$1,990,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year Ended June 30,	
	2004	2003
General obligation bonds	\$ 1,625	\$ 1,870
Special assessment bonds and notes		
Urban renewal tax increment financing revenue bonds	100	120
Revenue notes		
Anticipatory warrants		
Total receipts	\$ 1,725	\$ 1,990
	=====	=====

Debt decreased as a result of no general obligation bonds being issued in the past year. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,725,000 is significantly below its constitutional debt limit of \$3.4 million.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Judy Van't Hul, City Clerk, 1507 Main Street, Rock Valley, Iowa 51247.

City of Rock Valley, Iowa

Basic Financial Statements

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2004

			<u>Program Receipts</u>	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>		
Functions / Programs:				
Governmental activities:				
Public safety	\$ 330,525	\$ 24,625	\$ -	\$ -
Public works	356,669	-	225,043	-
Health and social services	-	7,680	-	-
Culture and recreation	345,024	37,512	-	1,900
Community and economic development	245,415	2,010	45,872	-
General government	339,724	13,630	55,725	-
Debt service	331,179	-	-	-
Capital projects	<u>476,117</u>	<u>-</u>	<u>94,586</u>	<u>1,623</u>
Total governmental activities	<u>\$2,424,653</u>	<u>\$ 85,457</u>	<u>\$ 421,226</u>	<u>\$ 3,523</u>
Business type activities:				
Water	\$ 374,644	\$ 343,033	\$ -	\$ -
Sewer	253,926	304,422	-	-
Garbage	<u>127,495</u>	<u>122,969</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 756,065</u>	<u>\$ 770,424</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$3,180,718</u>	<u>\$ 855,881</u>	<u>\$ 421,226</u>	<u>\$ 3,523</u>
	=====	=====	=====	=====
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Bond proceeds				

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2004

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (305,900)	\$ -	\$ (305,900)
(131,626)	-	(131,626)
7,680	-	7,680
(305,612)	-	(305,612)
(197,533)	-	(197,533)
(270,369)	-	(270,369)
(331,179)	-	(331,179)
<u>(379,908)</u>	<u>-</u>	<u>(379,908)</u>
<u>\$ (1,914,447)</u>	<u>\$ -</u>	<u>\$ (1,914,447)</u>
\$ -	\$ (31,611)	\$ (31,611)
-	50,496	50,496
<u>-</u>	<u>(4,526)</u>	<u>(4,526)</u>
<u>\$ 14,359</u>	<u>\$ 14,359</u>	<u>\$ 14,359</u>
<u>\$ (1,914,447)</u>	<u>\$ 14,359</u>	<u>\$ (1,900,088)</u>
\$ 522,809	\$ -	\$ 522,809
617,364	-	617,364
114,375	-	114,375
209,189	-	209,189
53,179	-	53,179
18,617	-	18,617
-	-	-

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2004

	Program Receipts		
	Charges for	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Disbursements	Service		
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			

Cash Basis Net Assets

Restricted:
 Streets
 Urban renewal purposes
 Debt service
 Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2004

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
-	-	-
2,504	2,774	5,278
<u>50,000</u>	<u>(50,000)</u>	<u> </u>
\$ 1,588,037	\$ (47,226)	\$1,540,811
\$ (326,410)	\$ (32,867)	\$ (359,277)
<u>809,655</u>	<u>436,019</u>	<u>1,245,674</u>
\$ 483,245	\$ 403,152	\$ 886,397
=====	=====	=====
\$ 154,079	\$ -	\$ 154,079
-	-	-
4,531	-	4,531
148,596	-	148,596
<u>176,039</u>	<u>403,152</u>	<u>579,191</u>
\$ 483,245	\$ 403,152	\$ 886,397
=====	=====	=====

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

		Special Revenue	
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 359,040	\$ -	\$ 13,205
Tax increment financing collections	-	-	-
Other city tax	43,249	-	-
Licenses and permits	3,445	-	-
Use of money and property	29,892	-	-
Intergovernmental	48,308	225,043	-
Charges for service	24,625	-	-
Special assessments	-	7,840	-
Miscellaneous	118,682	-	-
Total receipts	<u>\$ 627,241</u>	<u>\$ 232,883</u>	<u>\$ 13,205</u>
Disbursements:			
Operating:			
Public safety	\$ 271,143	\$ -	\$ -
Public works	-	302,994	-
Health and social services	-	-	-
Culture and recreation	325,537	-	-
Community and economic development	45,743	-	-
General government	194,044	-	26,672
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>\$ 836,467</u>	<u>\$ 302,994</u>	<u>\$ 26,672</u>
Excess of receipts over disbursements	<u>\$ (209,226)</u>	<u>\$ (70,111)</u>	<u>\$ (13,467)</u>
Other financing sources (uses):			
Bond proceeds	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-
Operating transfers in	198,500	61,739	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>\$ 198,500</u>	<u>\$ 61,739</u>	<u>\$ -</u>

Exhibit B

Debt Service	Others Nonmajor Governmental Funds	Total
\$ 114,375	\$ 107,315	\$ 593,935
-	617,364	617,364
-	209,189	252,438
-	-	3,445
-	-	29,892
-	-	273,351
-	-	24,625
-	1,200	9,040
-	<u>125,471</u>	<u>244,153</u>
<u>\$ 114,375</u>	<u>\$ 1,060,539</u>	<u>\$ 2,048,243</u>
\$ -	\$ 59,382	\$ 330,525
-	53,675	356,669
-	-	-
-	19,487	345,024
-	173,000	218,743
-	145,680	366,396
331,179	-	331,179
-	<u>476,117</u>	<u>476,117</u>
<u>\$ 331,179</u>	<u>\$ 927,341</u>	<u>\$ 2,424,653</u>
\$ (216,804)	\$ 133,198	\$ (376,410)
\$ -	\$ -	\$ -
-	-	-
183,000	50,000	493,239
-	<u>(443,239)</u>	<u>(443,239)</u>
<u>\$ 183,000</u>	<u>\$ (393,239)</u>	<u>\$ 50,000</u>

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Net change in cash balances	\$ (10,726)	\$ (8,372)	\$ (13,467)
Cash balances beginning of year	<u>186,765</u>	<u>162,451</u>	<u>(91,749)</u>
Cash balances end of year	<u>\$ 176,039</u>	<u>\$ 154,079</u>	<u>\$ (105,216)</u>
	=====	=====	=====
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	176,039	-	-
Special revenue funds	-	154,079	(105,216)
Capital projects fund	-	-	-
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====
Total cash basis fund balances	\$ 176,039	\$ 154,079	\$ (105,216)
	=====	=====	=====

See notes to financial statements.

Exhibit B

Debt Service	Others Nonmajor Governmental Funds	Total
\$ (33,804)	\$ (260,041)	\$ (326,410)
<u>38,335</u>	<u>\$ 513,853</u>	<u>\$ 809,655</u>
<u>\$ 4,531</u>	<u>\$ 253,812</u>	<u>\$ 483,245</u>
=====	=====	=====
\$ 4,531	\$ -	\$ 4,531
-	-	176,039
-	484,013	532,876
-	(230,201)	(230,201)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,531</u>	<u>\$ 253,812</u>	<u>\$ 483,245</u>
=====	=====	=====

City of Rock Valley, Iowa

City of Rock Valley, Iowa
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2004

Total governmental funds cash balances (page 21)	\$ <u>483,245</u>
Cash basis net assets of governmental activities (page 17)	\$ 483,245 =====
Net change in cash balances (page 21)	\$ <u>(326,410)</u>
Change in cash balances of governmental activities (page 17)	\$ (326,410) =====

See notes to financial statements.

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2004

Exhibit D

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating Receipts:				
Use of money and property	\$ 1,130	\$ -	\$ -	\$ 1,130
Charges for service	322,788	301,197	122,969	746,954
Miscellaneous	20,394	4,720	-	25,114
Total operating receipts	<u>\$ 344,312</u>	<u>\$ 305,917</u>	<u>\$ 122,969</u>	<u>\$ 773,198</u>
Operating disbursements:				
Governmental activities:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities	<u>374,644</u>	<u>253,926</u>	<u>127,495</u>	<u>756,065</u>
Total operating disbursements	<u>\$ 374,644</u>	<u>\$ 253,926</u>	<u>\$ 127,495</u>	<u>\$ 756,065</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ (30,332)</u>	<u>\$ 51,991</u>	<u>\$ (4,526)</u>	<u>\$ 17,133</u>
Non-operating receipts (disbursements):				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
General obligation bond proceeds	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (30,332)</u>	<u>\$ 51,991</u>	<u>\$ (4,526)</u>	<u>\$ 17,133</u>
Operating transfers out	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Net change in cash balances	\$ (30,332)	\$ 1,991	\$ (4,526)	\$ (32,867)
Cash balances beginning of year	<u>200,699</u>	<u>217,117</u>	<u>18,203</u>	<u>436,019</u>
Cash balances end of year	<u>\$ 170,367</u>	<u>\$ 219,108</u>	<u>\$ 13,677</u>	<u>\$ 403,152</u>
	=====	=====	=====	=====
Cash Basis Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>170,367</u>	<u>219,108</u>	<u>13,677</u>	<u>403,152</u>
	=====	=====	=====	=====
Total cash basis fund balances	<u>\$ 170,367</u>	<u>\$ 219,108</u>	<u>\$ 13,677</u>	<u>\$ 403,152</u>
	=====	=====	=====	=====

See notes to financial statements.

City of Rock Valley, Iowa
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds
As of and for the year ended June 30, 2004

Total enterprise funds cash balances (page 24)	\$ <u>403,152</u>
Cash basis net assets of business type activities (page 17)	\$ 403,152 =====
Net change in cash balances (page 24)	\$ <u>(32,867)</u>
Change in cash balances of business type activities (page 17)	\$ (32,867) =====

See notes to financial statements.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Rock Valley is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer utilities and garbage collection for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rock Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Rock Valley Economic Development Corporation, Northwest Iowa Landfill, Sioux County Revolving Loan Fund and Summer Recreation.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities for the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

B. Basis of Presentation (continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

C. Measurement Focus and Basis of Accounting

The City of Rock Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

(2) Cash and Pooled Investments (continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 225,000	\$ 64,147	\$ 20,000	\$ 5,550	\$ 245,000	\$ 69,697
2006	230,000	56,255	20,000	4,440	250,000	60,695
2007	205,000	47,690	20,000	3,330	225,000	51,020
2008	190,000	39,593	20,000	2,200	210,000	41,793
2009	150,000	31,928	20,000	1,110	170,000	33,038
2010 – 2014	625,000	65,358	0	0	625,000	65,358
Total	\$ 1,625,000	\$ 304,971	\$ 100,000	\$ 16,630	\$ 1,725,000	\$ 321,601
	=====	=====	=====	=====	=====	=====

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$33,038, \$29,649 and \$28,989, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 28,932
Sick Leave	<u>64,819</u>
Total	\$ 93,751 =====

This liability has been computed based on rates of pay as of June 30, 2004.

(6) Landfill Contract

The City of Rock Valley has contracted for solid waste disposal for all households or residences within the City. For the year ended June 30, 2004, \$115,914 was paid pursuant to the agreement.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

(6) Landfill Contract (continued)

The contract began January 1, 2004, and will terminate December 31, 2005. The agreement calls for the city to remit to the solid waste removal contractor the fees collected less thirty-five cents (.35) per monthly charge, which the City retains as a collection and handling fee. The contract allows for the solid waste removal contractor the opportunity to request an increase in rates semi-annually during the months of June and December. The City has the sole power to amend the monthly rates.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	TIF Fund	\$ 105,000
	Local Option Sales Tax	43,500
	Enterprise:	
	Sewer	50,000
Special Revenue:	Special Revenue:	
Road Use Tax	TIF Fund	61,739
Special Revenue:	Capital Projects:	
Local Housing Assistance Program	Southern Hills Phase II	50,000
Debt Service Fund	Capital Projects:	
	Prairie Meadows Developmnt	15,000
	Riverview Addition	30,000
	Back Nine Addition	18,000
	Rock Mills Improvements	10,000
	Special Revenue:	
	TIF Fund	<u>110,000</u>
Total		\$ <u>493,239</u>
		=====

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$83,940 during the year ended June 30, 2004.

(9) Lease Agreements

The City of Rock Valley (leasee) on November 12, 1999 entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2000 Sterling Truck with Amtech Rescue Body. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of ten (10) years at an annual amount of \$13,884. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The aggregate rental expense for the year ended June 30, 2004, is \$13,884.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City is exposed to an employee group medical insurance risk of the difference between a deductible of \$1,000 per insured and the fringe benefit of \$100 per employee with an estimated total risk of \$18,630.

(11) Deficit Fund Balance

The Special Revenue Fund, Urban Renewal Tax Increment, 11th Street Project and Eagle Avenue Project Capital Projects Funds had deficit balances of \$105,216, \$224,352, and \$41,488 respectively, at June 30, 2004. The deficit balance was a result of transfers and project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of transfers, street assessments and state grants.

(12) Subsequent Events

In October, 2004, the City issued \$1,155,000 of general obligation capital loan notes. The City also entered into construction contracts totaling \$210,077 for street improvements.

(13) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

(13) Accounting Change and Restatements (continued)

Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities.

(14) Community Economic Betterment Loans (CEBA)

The City of Rock Valley (loan recipient) on August 6, 1998, entered into a Community Economic Betterment Forgivable Loan for \$25,000 and an Interest Free Loan for \$25,000 with the Department of Economic Development of the State of Iowa maturing August 6, 2003. The City of Rock Valley (Lender) then entered into a forgivable loan agreement and an interest free loan agreement with Rock Industries, Inc. (Borrower) with CEBA loan amounts of \$25,000 each, maturing August 6, 2003.

The City of Rock Valley (loan recipient) on October 21, 1999, entered into a Community Economic Betterment Forgivable Loan for \$37,500 and a three (3) percent loan for \$37,500 with the Department of Economic Development of the State of Iowa maturing April 1, 2005. The City of Rock Valley (Lender) then entered into a forgivable loan agreement and a three (3) percent loan agreement with Valley Machining Co. (Borrower) with the CEBA loan amounts of \$37,500 each, maturing April 1, 2005.

The City of Rock Valley (loan recipient) on April 20, 2000, entered into a Community Economic Betterment two (2) percent loan for \$75,000 with the Department of Economic Development of the State of Iowa maturing November 1, 2006. The City of Rock Valley (Lender) then entered into a two (2) percent loan agreement with Kooima Company (Borrower) with the CEBA loan amount of \$75,000, maturing November 1, 2006.

The City of Rock Valley (loan recipient) on October 9, 2000, entered into State of Iowa Economic Development Set Aside Program Loan for \$50,000, of which \$25,000 is a two (2) year forgivable loan maturing May 30, 2002, and \$25,000 is a five (5) year Interest Free Loan maturing May 31, 2006. The City of Rock Valley then entered into a forgivable loan and an interest free loan with Quality Machine Products, Inc. with EDSA Program loan amounts of \$25,000 each, maturing May 30, 2002, and May 31, 2006, respectively.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

(14) Community Economic Betterment Loan (CEBA) (continued)

The City of Rock Valley (loan recipient) on March 21, 2002, entered into a Community Economic Betterment Forgivable Loan for \$212,500 and an Interest Free Loan for \$212,500 with the Department of Economic Development of the State of Iowa maturing March 21, 2007. The City of Rock Valley (Lender) then entered into a forgivable loan agreement and an interest free loan agreement with Total Component Solutions Corporation (Borrower) with the CEBA loan amounts of \$212,500 each, maturing March 21, 2007.

The City of Rock Valley (loan recipient) on May 16, 2002, entered into a Community Economic Betterment Interest Free Loan for \$37,500 with the Department of Economic Development of the State of Iowa maturing May 16, 2007. The City of Rock Valley (Lender) then entered into an interest free loan agreement with Poly-Tin, Inc. (Borrower) with the CEBA loan amounts of \$37,500, maturing May 16, 2007.

The City of Rock Valley (loan recipient) on May 16, 2002, entered into a Community Economic Betterment Forgivable Loan of \$7,500 and an Interest Free Loan for \$30,000 with the Department of Economic Development of the State of Iowa maturing May 16, 2007. The City of Rock Valley (Lender) then entered into a forgivable loan agreement and an interest free loan agreement with Valley Industrial Powder Coating, Inc. (Borrower) with the CEBA loan amounts of \$7,500 and \$30,000, respectively, maturing May 16, 2007.

(15) Construction Commitments

The City of Rock Valley on April 8, 2002 entered into a contract for street improvements (Riverview Addition) in the amount of \$336,142 with subsequent change orders increasing the contract amount to \$339,287. As of June 30, 2004, construction was complete and total payments were made in the amount of \$339,287.

The City of Rock Valley on May 13, 2002, entered into a contract for street improvements (Prairie Meadows Addition) in the amount of \$742,945 with subsequent change orders increasing the contract amount to \$748,592. As of June 30, 2004, construction was complete and total payments were made in the amount of \$748,592.

The City of Rock Valley on August 19, 2002, entered into a contract for street and utility improvements (Southern Hills-Phase 2) in the amount of \$202,786. As of June 30, 2004, construction was continuing and total payments were made in the amount of \$139,540.

The City of Rock Valley on April 20, 2004, entered into a contract for Wastewater Treatment Plant River Diffuser in the amount of \$258,800. As of June 30, 2004, construction was continuing and no payments had been made.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2004

(15) Construction Commitments (continuing)

The City of Rock Valley on April 28, 2004, entered into a contract for Water Distribution Systems Improvements and Well Finish Work for \$490,007 with subsequent change orders increasing the contract amount to \$493,059. As of June 30, 2004, construction was continuing and no payments had been made.

The City of Rock Valley on March 9, 2004, entered into a contract for street improvements (11th Street Project) in the amount of \$173,207 with subsequent change orders increasing the contract amount to \$179,759. As of June 30, 2004, construction was complete and total payments were made in the amount of \$179,759.

The City of Rock Valley on June 7, 2004, entered into a contract for street improvements (Eagle Avenue Project) in the amount of \$550,546. As of June 30, 2004, construction was continuing and no payments had been made.

(16) Grants

The City of Rock Valley on May 28, 2003, received notification of acceptance of a Community Development Block Grant (CDBG) in the amount of \$600,000 for development of a city day care program. As of June 30, 2004, this grant award was returned and not accepted by the City of Rock Valley.

The City of Rock Valley on May 28, 2003, received notification of acceptance of a Community Development Block Grant (CDBG) in the amount of \$210,000 for development of a city water system. As of June 30, 2004, no grant funds were received.

Required Supplementary Information

City of Rock Valley, Iowa
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds		Proprietary Funds	Total
	Actual	Actual	Actual	
Receipts:				
Property tax	\$ 593,935	\$ -	\$ 593,935	
Tax increment financing collections	617,364	-	617,364	
Other city tax	252,438	-	252,438	
Licenses and permits	3,445	-	3,445	
Use of money and property	29,892	1,130	31,022	
Intergovernmental	273,351	-	273,351	
Charges for service	24,625	746,954	771,579	
Special assessments	9,040	-	9,040	
Miscellaneous	244,153	25,114	269,267	
Total receipts	<u>\$2,048,243</u>	<u>\$ 773,198</u>	<u>\$2,821,441</u>	
Disbursements:				
Public safety	\$ 330,525	\$ -	\$ 330,525	
Public works	356,669	-	356,669	
Health and social services	-	-	-	
Culture and recreation	345,024	-	345,024	
Community and economic development	245,415	-	245,415	
General government	339,724	-	339,724	
Debt service	331,179	-	331,179	
Capital projects	476,117	-	476,117	
Business type activities	-	756,065	756,065	
Total disbursements	<u>\$2,424,653</u>	<u>\$ 756,065</u>	<u>\$3,180,718</u>	
Excess of receipts over disbursements	\$ (376,410)	\$ 17,133	\$ (359,277)	
Other financing sources, net	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	
Excess of receipts and other financing sources over disbursements and other financing uses	\$ (326,410)	\$ (32,867)	\$ (359,277)	
Balance - beginning of year	<u>809,655</u>	<u>436,019</u>	<u>1,245,674</u>	
Balance - end of year	<u>\$ 483,245</u>	<u>\$ 403,152</u>	<u>\$ 886,397</u>	

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
\$ 546,640	\$ 579,000	\$ 14,935
610,000	610,000	7,364
234,496	247,116	5,322
3,610	3,610	(165)
31,000	31,000	22
301,508	301,508	(28,157)
848,900	848,900	(77,321)
58,000	77,000	(67,960)
<u>61,200</u>	<u>61,200</u>	<u>208,067</u>
<u>\$2,695,354</u>	<u>\$ 2,759,334</u>	<u>\$ 62,107</u>
\$ 312,407	\$ 342,447	\$ 11,922
282,563	369,997	13,328
10,000	10,000	10,000
290,996	348,496	3,472
350,800	572,065	326,650
167,836	170,536	(169,188)
333,781	333,781	2,602
0	441,000	(35,117)
<u>1,250,076</u>	<u>975,176</u>	<u>219,111</u>
<u>\$2,998,459</u>	<u>\$ 3,563,498</u>	<u>\$ 382,780</u>
\$ (303,105)	\$ (804,164)	\$ 444,887
<u>500,000</u>	<u>500,000</u>	<u>(500,000)</u>
\$ 196,895	\$ (304,164)	\$ (55,113)
<u>1,245,674</u>	<u>1,245,674</u>	<u>-</u>
\$1,442,569	\$ 941,510	\$ (55,113)
=====	=====	=====

City of Rock Valley, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget amendment increased budgeted disbursements by \$565,039. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the general government and capital projects functions.

Other Supplementary Information

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of the year ended June 30, 2004

	TIF Fund	Employee Benefits	Local Option Sales Tax	Special Local Housing Assistance Program
Receipts:				
Property tax	\$ -	\$ 107,315	\$ -	\$ -
Tax increment financing collection	617,364	-	-	-
Other city tax	-	-	209,189	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	5,417
Total receipts	<u>\$ 617,364</u>	<u>\$ 107,315</u>	<u>\$ 209,189</u>	<u>\$ 5,417</u>
Disbursements:				
Operating:				
Public safety	\$ -	\$ 59,382	\$ -	\$ -
Public works	13,544	-	40,131	-
Health and social services	-	-	-	-
Culture and recreation	-	19,487	-	-
Community and economic development	-	-	-	158,000
General government	116,739	26,710	2,231	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>\$ 130,283</u>	<u>\$ 105,579</u>	<u>\$ 42,362</u>	<u>\$ 158,000</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 487,081</u>	<u>\$ 1,736</u>	<u>\$ 166,827</u>	<u>\$(152,583)</u>
Other financing uses:				
Operating transfers in (out)	<u>(276,739)</u>	<u>-</u>	<u>(43,500)</u>	<u>50,000</u>
Net change in cash balances	\$ 210,342	\$ 1,736	\$ 123,327	\$(102,583)
Cash balances beginning of year	<u>20,421</u>	<u>14,356</u>	<u>48,687</u>	<u>135,593</u>
Cash balances end of year	<u>\$ 230,763</u>	<u>\$ 16,092</u>	<u>\$ 172,014</u>	<u>\$ 33,010</u>

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

Revenue		Capital Projects		
Revolving Loan Fund	Back Nine Addition	Rock Mills Improvements	Riverview Addition	Prairie Meadows Development
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,200	-	-
<u>25,468</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>43,418</u>
<u>\$ 25,468</u>	<u>\$ 18,000</u>	<u>\$ 1,200</u>	<u>\$ 18,000</u>	<u>\$ 43,418</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
15,000	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	18,236	89,064
<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,236</u>	<u>\$ 89,064</u>
<u>\$ 10,468</u>	<u>\$ 18,000</u>	<u>\$ 1,200</u>	<u>\$ (236)</u>	<u>\$ (45,646)</u>
<u>-</u>	<u>(18,000)</u>	<u>(10,000)</u>	<u>(30,000)</u>	<u>(15,000)</u>
\$ 10,468	\$ -	\$ (8,800)	\$ (30,236)	\$ (60,646)
<u>21,666</u>	<u>1,200</u>	<u>10,200</u>	<u>37,886</u>	<u>63,730</u>
<u>\$ 32,134</u>	<u>\$ 1,200</u>	<u>\$ 1,400</u>	<u>\$ 7,650</u>	<u>\$ 3,084</u>
=====	=====	=====	=====	=====

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

	Capital Projects			
	Southern Hills Phase II	11 th Street	Eagle Avenue Project	Total
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ 107,315
Tax increment financing collection	-	-	-	617,364
Other city tax	-	-	-	209,189
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	1,200
Miscellaneous	15,168	-	-	125,471
Total receipts	\$ 15,168	\$ -	\$ -	\$1,060,539
Disbursements:				
Operating:				
Public safety	\$ -	\$ -	\$ -	\$ 59,382
Public works	-	-	-	53,675
Health and social services	-	-	-	-
Culture and recreation	-	-	-	19,487
Community and economic development	-	-	-	173,000
General government	-	-	-	145,680
Debt service	-	-	-	-
Capital projects	102,977	224,352	41,488	476,117
Total disbursements	\$ 102,977	\$ 224,352	\$ 41,488	\$ 927,341
Excess (deficiency) of receipts over (under) disbursements	\$ (87,809)	\$ (224,352)	\$ (41,488)	\$ 133,198
Other financing uses:				
Operating transfers in (out)	(50,000)	-	-	(393,239)
Net change in cash balances	\$ (137,809)	\$ (224,352)	\$ (41,488)	\$(260,041)
Cash balances beginning of year	160,114	-	-	513,853
Cash balances end of year	\$ 22,305	\$ (224,352)	\$ (41,488)	\$ 253,812
	=====	=====	=====	=====

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

				Special
	TIF Fund	Employee Benefits	Local Option Sales Tax	Local Housing Assistance Program
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 230,763	\$ 16,092	\$ 172,014	\$ 33,010
Capital project fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 230,763	\$ 16,092	\$ 172,014	\$ 33,010
	=====	=====	=====	=====

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

Revenue		Capital Projects		
Revolving Loan Fund	Back Nine Addition	Rock Mills Improvements	Riverview Addition	Prairie Meadows Development
\$ 32,134	\$ -	\$ -	\$ -	\$ -
-	1,200	1,400	7,650	3,084
-	-	-	-	-
\$ 32,134	\$ 1,200	\$ 1,400	\$ 7,650	\$ 3,084
=====	=====	=====	=====	=====

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

Capital Projects				
	Southern Hills Phase II	11 th Street	Eagle Avenue Project	Total
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ -	\$ -	\$ -	\$ 484,013
Capital project fund	22,305	(224,352)	(41,488)	(230,201)
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 22,305	\$ (224,352)	\$ (41,488)	\$ 253,812
	=====	=====	=====	=====

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Statement of Indebtedness
Year Ended June 30, 2004**

Obligation	Date of Issue	Interest Rates
General Obligation Bonds:		
21 st Avenue Street Reconstruction	June 1, 1984	3.05 -4.50%
Subtotal		
General Obligation Notes:		
G.O. Capital Loan Notes – Series 2002	July 1, 2002	2.00-4.25%
G.O. Capital Loan Notes – E. 16 th /W. 17 th Street Project	April 1, 2001	4.70%
G.O. Capital Loan Notes – 10 th Avenue 1995 Street Project	Mar. 1, 1996	4.10 -5.00%
G.O. Capital Loan Notes – W. 15 th Street Project 1997 Street Project	April 1, 1997	4.75 -5.50%
G.O. Capital Loan Notes – E. 15 th Street Project 1998 Street Project	Jan. 1, 1998	4.50 -5.00%
Subtotal		
Total		
Urban Renewal Tax Increment Financing Revenue Bonds		
Urban Renewal Tax Increment (TIF)	July 30, 1999	5.55%
Total		

See accompanying independent auditor's report.

Schedule 2

Amount Originally Issued	Balance Beginning Of Year	Issued During Year	Redeemed During Year	Balance End Of Year	Interest Paid	Interest Due and Unpaid
\$ 200,000	\$ 25,000	\$ 0	\$ 25,000	\$ 0	\$ 1,125	\$ 0
\$1,415,000	\$ 1,390,000	\$ 0	\$ 140,000	\$ 1,250,000	\$ 48,810	\$ 0
175,000	150,000	0	15,000	135,000	7,060	0
180,000	80,000	0	20,000	60,000	3,840	0
200,000	100,000	0	20,000	80,000	5,360	0
250,000	125,000	0	25,000	100,000	6,100	0
	<u>\$ 1,845,000</u>	<u>\$ 0</u>	<u>\$ 220,000</u>	<u>\$ 1,625,000</u>	<u>\$ 71,170</u>	<u>\$ 0</u>
	\$ 1,870,000	\$ 0	\$ 245,000	\$ 1,625,000	\$ 72,295	\$ 0
	=====	=====	=====	=====	=====	=====
\$ 200,000	\$ 120,000	\$ 0	\$ 20,000	\$ 100,000	\$ 6,672	\$ 0
	=====	=====	=====	=====	=====	=====

**City of Rock Valley, Iowa
Bond and Note Maturities
June 30, 2004**

General Obligation Bonds & Notes

Year Ending June 30	<u>Series 2002</u> <u>Issued July 1, 2002</u>	
	<u>Interest Rates</u>	<u>Amount</u>
2005	2.75%	\$ 145,000
2006	3.00	145,000
2007	3.20	120,000
2008	3.50	125,000
2009	3.75	130,000
2010	4.00	135,000
2011	4.10	145,000
2012	4.20	150,000
2013	4.25	<u>155,000</u>
Total		\$1,250,000 =====

Revenue Bonds

Year Ending June 30	<u>Urban Renewal Tax Increment (TIF)</u> <u>Issued July 30, 1999</u>		
	<u>Interest Rate</u>	<u>Amount</u>	<u>Total</u>
2005	5.5%	\$ 20,000	\$ 20,000
2006	5.5	20,000	20,000
2007	5.5	20,000	20,000
2008	5.5	20,000	20,000
2009	5.5	<u>20,000</u>	<u>20,000</u>
		\$ 100,000	\$ 100,000 =====

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bond and Note Maturities
June 30, 2004**

General Obligation Bonds & Notes

Year Ending June 30	<u>Capital Loan Notes</u> <u>10th Avenue</u> <u>Issued March 1, 1996</u>		<u>Capital Loan Notes</u> <u>E. 16th Street</u> <u>Issued April 1, 2001</u>	
	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
2005	4.70%	\$ 20,000	4.70%	\$ 15,000
2006	4.90	20,000	4.70	20,000
2007	5.00	20,000	4.70	20,000
2008		-	4.70	20,000
2009		-	4.70	20,000
2010		-	4.70	20,000
2011		-	4.70	20,000
2012		-		-
2013		-		-
Total		\$ 60,000		\$ 135,000
		=====		=====

City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2004

General Obligation Bonds & Notes

Year Ending June 30	<u>Capital Loan Notes</u> <u>W. 15th Street</u> <u>Issued April 1, 1997</u>		<u>Capital Loan Notes</u> <u>E. 15th Street</u> <u>Issued Jan 1, 1998</u>		<u>Total</u>
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	
2005	5.30%	\$ 20,000	4.80%	\$ 25,000	\$ 225,000
2006	5.35	20,000	4.90	25,000	230,000
2007	5.40	20,000	4.95	25,000	205,000
2008	5.50	20,000	5.00	25,000	190,000
2009					150,000
2010					155,000
2011					165,000
2012					150,000
2013					155,000
Total		\$ 80,000		\$ 100,000	\$ 1,625,000
		=====		=====	=====

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Four Years

	2004	2003	2002	2001
Receipts:				
Property tax	\$ 593,935	\$ 581,900	\$ 560,188	\$ 609,323
Tax increment financing collections	617,364	555,881	464,390	381,998
Other city tax	252,438	232,056	236,247	226,546
Licenses and permits	3,445	3,570	3,265	3,190
Use of money and property	29,892	42,752	61,467	98,495
Intergovernmental	273,351	810,008	415,996	410,340
Charges for service	24,625	26,546	24,632	15,399
Special assessments	9,040	18,565	96,401	73,835
Miscellaneous	<u>244,153</u>	<u>206,883</u>	<u>141,810</u>	<u>132,491</u>
Total	\$ 2,048,243 =====	\$ 2,478,161 =====	\$ 2,004,396 =====	\$ 1,951,617 =====
Disbursements:				
Operating:				
Public safety	\$ 330,525	\$ 293,409	\$ 358,976	\$ 280,309
Public works	356,669	342,886	370,220	345,005
Health and social services	-	-	-	-
Culture and recreation	345,024	304,200	318,530	250,820
Community and economic development	245,415	606,555	75,986	191,956
General government	339,724	224,525	181,081	250,579
Debt service	331,179	408,670	347,027	306,690
Capital projects	<u>476,117</u>	<u>1,468,405</u>	<u>916,409</u>	<u>812,535</u>
Total	\$ 2,424,653 =====	\$ 3,648,650 =====	\$ 2,568,229 =====	\$ 2,437,894 =====

See accompanying independent auditor's report.

City of Rock Valley, Iowa

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and Members of the City Council:

We have audited the financial statements of the City of Rock Valley, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated October 8, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Rock Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance that is described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Rock Valley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming

to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Rock Valley's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Prior year reportable conditions have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Rock Valley and other parties to whom the City of Rock Valley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Valley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Bruggen & Vande Vegte, P.C.

October 8, 2004

City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Rock Valley did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Reportable Conditions:

II-A-02 Independent Contractor 1099 Issuance – IRS Form 1099's were not issued to rental landowners or independent contractors/laborers.

Recommendation – IRS Form 1099 needs to be issued on a calendar basis to rental landowners, including strip landowners paid \$600 or more. Independent contractors/laborers paid \$600 or more during the calendar year should also be issued 1099's.

Response – These procedures will be implemented as recommended.

Conclusion – Response accepted.

City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting:

- III-A-04 Official Depositories – A resolution naming official depository banks has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- III-B-04 Certified Budget – Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the general government and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – The budget will be amended in the future, if applicable.
- Conclusion – Response accepted.
- III-C-04 Questionable Disbursements - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials and/or employees were noted.
- III-E-04 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows.

Name, Title and Business Connection	Transaction Description	Amount
Kevin Van Otterloo, council member shareholder, Van's Food Pride	materials	\$ 1,858
Chad Van Zee, council member shareholder, Rock Valley Cement, Block, & Tile, Inc. Tri State Ready Mix, Inc. Valley Sand & Gravel, Inc.	materials	71,082

In accordance with Chapter 362.5 (10) of the Code of Iowa, the transactions with the council members do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year or the transaction with a council member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

- III-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-04 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.
- III-H-04 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy
- III-I-04 Revenue Bonds - The special Revenue Fund, TIF Fund, had a positive balance as of June 30, 2004.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Valley, Iowa during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Bruggen & Vande Vegte, P.C.

October 8, 2004

